

Board of Directors

HON. W. E. FOSTER, LL.D.
F. J. FAIRHALL, ESQ.
C. B. HOWARD, ESQ., M.P.
HON. B. M. HILL, M.P.
W. W. SNIDER, ESQ.
R. W. T. BURLEIGH, ESQ.
D. C. MCBRIDE, ESQ., C.A.

OFFICERS

HON. W. E. FOSTER, LL.D.
Chairman, Board of Directors.
F. J. FAIRHALL, ESQ.
President
C. B. HOWARD, ESQ., M.P.
Vice-President
HON. B. M. HILL, M.P.
Treasurer
D. C. MCBRIDE, ESQ., C.A.
Secretary

SOLICITORS

HYDE, AHERN, PERRON & SMITH

AUDITORS

PRICE, WATERHOUSE & COMPANY

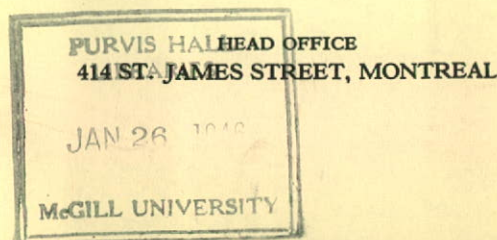
Consolidated Diversified Standard Securities Limited

FINANCIAL REPORT

FOR YEAR ENDING
DECEMBER 31st,

1938

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Consolidated Diversified Standard Securities Limited

Notice of Annual Meeting of Shareholders and subsequent Special General Meeting of Shareholders

NOTICE is hereby given that the Annual Meeting of Shareholders of Consolidated Diversified Standard Securities Limited will be held at Room 129, Windsor Hotel, in the city of Montreal, on the 17th day of April, 1939, at the hour of ten o'clock in the forenoon, for the purpose of:—

- (a) Receiving and considering the report of the Directors of the Company, the Balance Sheet, Statement of Income and Expenditure, and the Auditors' Report for the past fiscal year;
- (b) Considering and if thought fit, approving and ratifying all contracts, acts and proceedings of the Board of Directors and of the officers of the Company since the last Annual Meeting of Shareholders as set forth or described in the books of the Company or in the Annual Report of the Company for the past fiscal year;
- (c) Appointing auditors;
- (d) Electing Directors for the ensuing year;
- (e) Transacting such other business as may properly be brought before the meeting.

AND FURTHER TAKE NOTICE that immediately after the foregoing Annual Meeting of Shareholders a Special General Meeting of the Shareholders will be held for the purpose of considering and if deemed advisable sanctioning:—

1. By-law No. 17 setting forth the number and capacities of the officers of the Company; cancelling and replacing the former By-law No. 17.
2. By-law No. 18 setting forth the powers and duties of the various officers of the Company; cancelling and replacing the former By-law No. 18.
3. By-law No. 26-A permitting the signatures of the Chairman of the Board or the President to be lithographed or engraved on share certificates.
4. By-law No. 6-A reducing the number of Directors from nine to seven, the majority of whom shall form a quorum.

If you are not able to be present kindly sign and return the enclosed Proxy by early mail.
DATED at Montreal this 27th day of March, 1939.

BY ORDER OF THE BOARD,

D. C. MCBRIDE,
Secretary.

Consolidated Diversified Standard Securities Limited

Consolidated Statement of Profit and Loss and Surplus

For the year ending December 31st, 1938

Dividends and Interest earned on Investments.....		\$ 46,186.26
DEDUCT:		
Executive Salaries—Management.....	\$ 11,930.93	
Office Salaries.....	3,931.20	
Directors' Fees.....	500.00	
Legal Fees and Expenses.....	100.00	
Taxes, other than Income.....	1,355.90	
Interest paid.....	5,783.87	
General Expenses, including Rent, Light, Postage, Stationery and other Office Expenses.....	4,257.52	
U.S. Taxes, deducted at source.....	2,352.08	
Provision for Provincial Profits Taxes.....	50.00	30,261.50
Net Revenue for Year.....		\$ 15,924.76
Balance at credit of Profit and Loss Account December 31, 1937.....	\$ 57,211.70	
LESS: U.S. and Canadian Taxes applicable to prior periods.....	8,148.15	49,063.55
Balance of Realized Capital Profit December 31, 1937.....		625,302.05
		\$690,290.36
Net Capital Losses realized during year.....	\$446,757.74	
Transfer to Investment Reserve.....	160,000.00	
Preferred Dividends No. 12 and No. 13 at 37½ cents per share, less \$3,813.84 paid on those shares held by wholly owned subsidiary.....	23,111.16	629,868.90
Surplus Balance, December 31, 1938.....		\$ 60,421.46

Consolidated Diversified Standard Securities Limited

Auditors' Report to the Shareholders

We have made an examination of the books and accounts of Consolidated Diversified Standard Securities Limited, and its wholly owned subsidiary, Alco Securities Corporation Limited, for the year ending December 31, 1938, and have obtained all the information and explanations which we have required. In the periodical examinations made by us, securities have been found in order, and we report that, in our opinion, the attached Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, as at December 31, 1938, according to the best of the information and explanations given to us, and as shown by the books of the Company.

PRICE, WATERHOUSE & CO.,
Auditors.

Montreal, March 6, 1939,

Consolidated Diversified Standard Securities Limited

AND ITS WHOLLY OWNED SUBSIDIARY COMPANY

Consolidated Balance Sheet, December 31st, 1938

ASSETS

CASH IN BANKS.....	\$ 3,047.56
DIVIDENDS DECLARED (Receivable in January).....	1,696.50
INTEREST ACCRUED ON BONDS.....	1,969.37
SUNDRY ACCOUNTS RECEIVABLE.....	1,094.77
BALANCE DUE BY BROKER, AGAINST SECURITIES DELIVERED.....	2,589.05
INVESTMENTS:	
In Stocks and Bonds of listed Corporations at book value (Quoted market value of these Investments at December 31, 1938, \$670,032.00).....	\$780,871.65
In Stocks of Corporations whose current value is not readily ascertainable.....	27,057.45
Net cost of 5,252 18/25 Non-cumulative First Preference shares, and 33,937 18/40 Class "A" Common shares of Consolidated Diversified Standard Securities Limited, held by its wholly owned subsidiary, Alco Securities Corporation Limited.....	117,902.84
FURNITURE AND FIXTURES, less Reserve for Depreciation of \$1,066.94.....	1,167.82
PREPAID ITEMS.....	600.71

APPROVED ON BEHALF OF THE BOARD:

W. E. FOSTER, Director.

B. M. HILL, Director.

\$937,997.72

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 11.26
RESERVE FOR PROVINCIAL PROFITS TAXES.....	50.00
CAPITAL STOCK AND SURPLUS, represented by—	
Capital Stock:	
Authorized—	
55,000 Non-cumulative First Preference Shares of no par value. (Preferential as to \$2.50 per share dividend and redeemable at \$50.00 at call).	
160,000 Class "A" Common Shares of no par value.	
112,500 Class "B" Common Shares of no par value.	
Issued:	
Non-cumulative First Preference Shares.....	50,916 15/25
LESS: Redeemed and cancelled out of Net Realized Capital Profits.....	15,016 15/25
Balance of First Preference Shares outstanding.	35,900
Class "A" Common Shares.....	152,340 39/40
Class "B" Common Shares.....	112,500
Capital Surplus, representing net realized Capital Profits, used in redemption of 15,016 15/25 First Preference Shares.....	\$215,000.00
INVESTMENT RESERVE.....	160,000.00
SURPLUS, as per statement attached.....	60,421.46

\$717,515.00

\$937,997.72

Submitted with our report to the shareholders dated March 6, 1939.

PRICE, WATERHOUSE & CO.,
Auditors.

Consolidated Diversified Standard Securities Limited

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Montreal, March 27th, 1939.

To the Shareholders:—

Your Directors present herewith for your approval the Consolidated Financial Report and Balance Sheet of your Company and its Subsidiary for the year ended December 31st, 1938.

The Board of Directors was reduced from nine to seven directors and a Chairman of the Board was appointed during the year, the object and purpose being to centralize executive authority and place investment control under a Board of Management, composed of senior officers of the Company.

A revision of the policy of the executive management during the year resulted in the following changes:

- (a) Holdings of revenue-producing securities have been increased to over 80% of the portfolio.
- (b) Broker's Loans have been eliminated.
- (c) The expenses for 1938 have been reduced by 34% from the 1937 figures. Further economies due to the change in executive management and reduction in the Board of Directors should permit additional savings during 1939.
- (d) During the latter part of the year there were considerable adjustments in the portfolio from non-revenue producing securities to the more conservative, revenue-producing securities. This established Capital Losses which already existed in unrealized form. The immediate result was increased revenue and greater potential earnings.

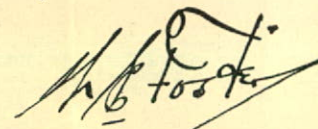
Your Company's investment portfolio is comprised of securities classified as follows: Bonds—7.09%, Preferred Stocks—10.71%, Common Stocks 78.85%, Miscellaneous and Unlisted Investments—3.35%.

The reserve of Realized Capital Profits set up during the preceding years was transferred to the Profit and Loss Account. After covering Realized Capital Losses in full, an amount of \$160,000.00 was set aside as an Investment Reserve against possible future losses.

Since 1933—20,269-8/25ths First Preference Shares have been purchased for less than the redeemable price in the open market, thereby reducing the outstanding preferred shares from 50,916-15/25ths shares to 30,647-7/25ths. Of the redeemed shares 15,016-15/25ths have been retired and cancelled, the balance being currently held by the Company's subsidiary, Alco Securities Corporation Limited.

Dividends No. 12 and No. 13, totalling 75 cents per share were paid on the outstanding Preference Shares during the year 1938.

Submitted on behalf of the Directors,



Chairman, Board of Directors.